



Pensions in Asia and the Pacific – current status and policy options

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Outline

Overview of pension systems in Asia and the Pacific

⇒ Gaps in coverage

⇒ Gaps in distributive justice: income groups and gender gaps

⇒ Sustainability gaps

⇒ Challenges ahead

Overview of pension systems in the Asia-Pacific region

- ⇒ Almost every country has a **contributory pension system** in place
- ⇒ HOWEVER – in most cases, only for the formal sector and in many cases only for the public sector and military
- ⇒ Several countries have also introduced a **universal non-contributory social pension** for all older persons
- ⇒ HOWEVER – benefit levels of social pensions are typically very low

Basic Structure of Selected East Asian Pension Systems

Country	Defined Benefit or Defined Contribution	Element of Income Redistribution
China	Defined Benefit, Defined Contribution, and Notional Defined Contribution	Yes
Indonesia	Defined Contribution	No
Republic of Korea	Defined Benefit	Yes
Malaysia	Defined Contribution	No
Philippines	Defined Benefit	Yes
Singapore	Defined Contribution	No
Thailand	Defined Benefit	No
Viet Nam	Defined Benefit	No

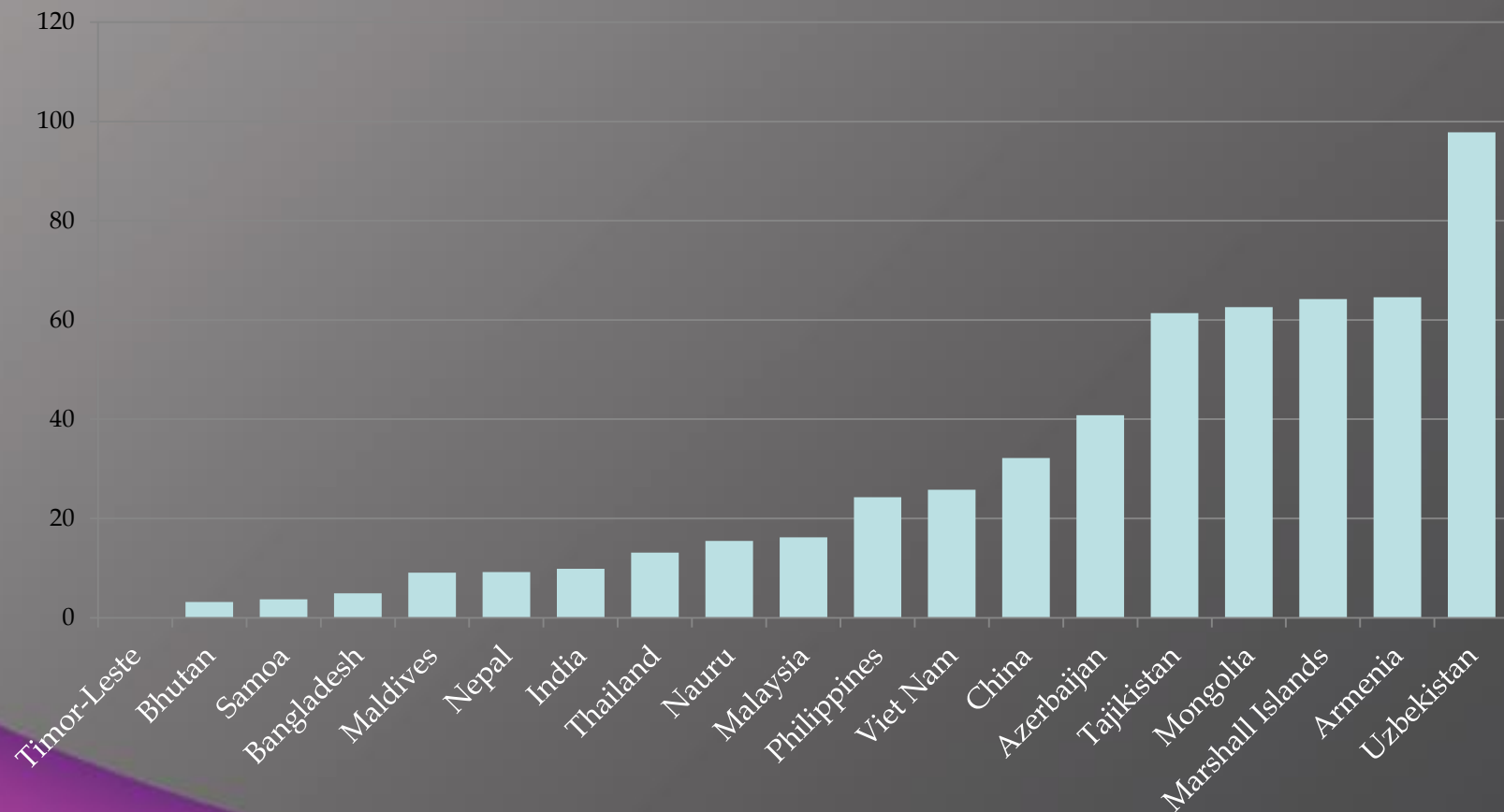
Some results from ESCAP's studies on pensions

India

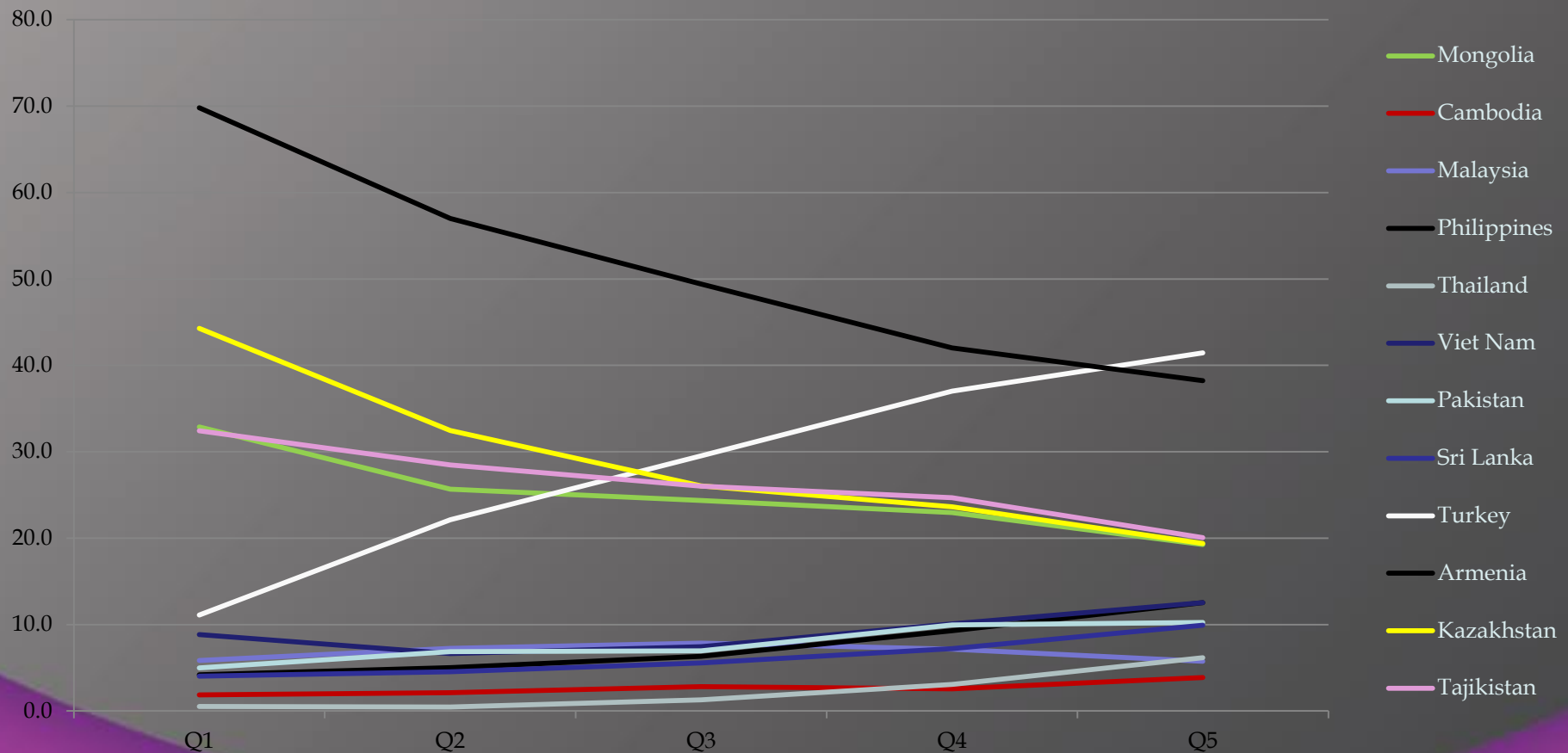
- ⇒ Non-contributory scheme for employees of federal and central Governments
- ⇒ Benefits of 50% of last salary before retirement
- ⇒ Growth rate of expenditure for pensions is higher than growth rate of salaries
- ⇒ Some contributory schemes (with co-payments from the Government) with individual accounts for selected occupational groups, but still small in scale
- ⇒ Voluntary pension insurance (without co-payment) now possible for all occupational groups (including informal sector), but participation is still relatively low

In many countries, only a small proportion of older persons receive a contributory pension

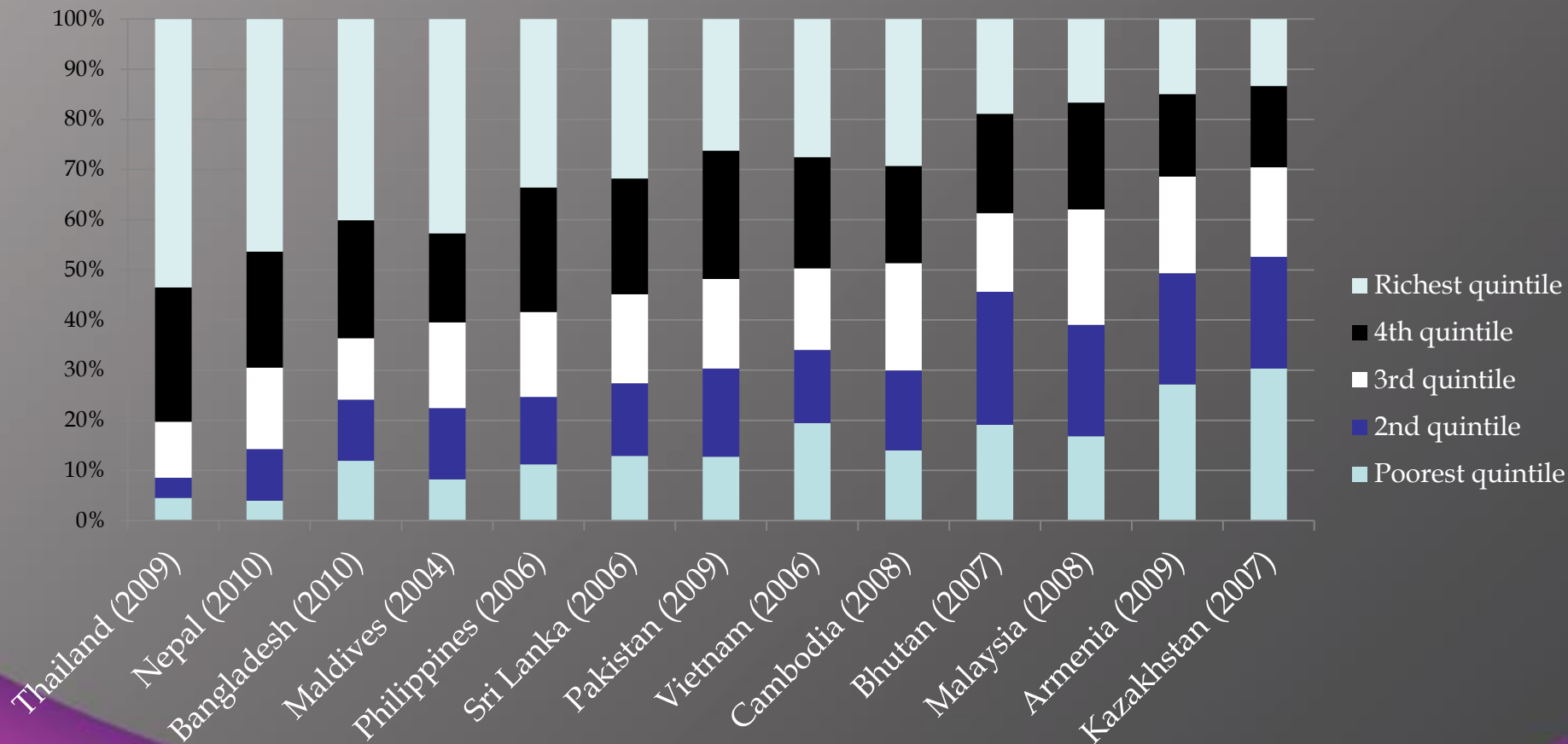
Percentage of older persons receiving a contributory pension



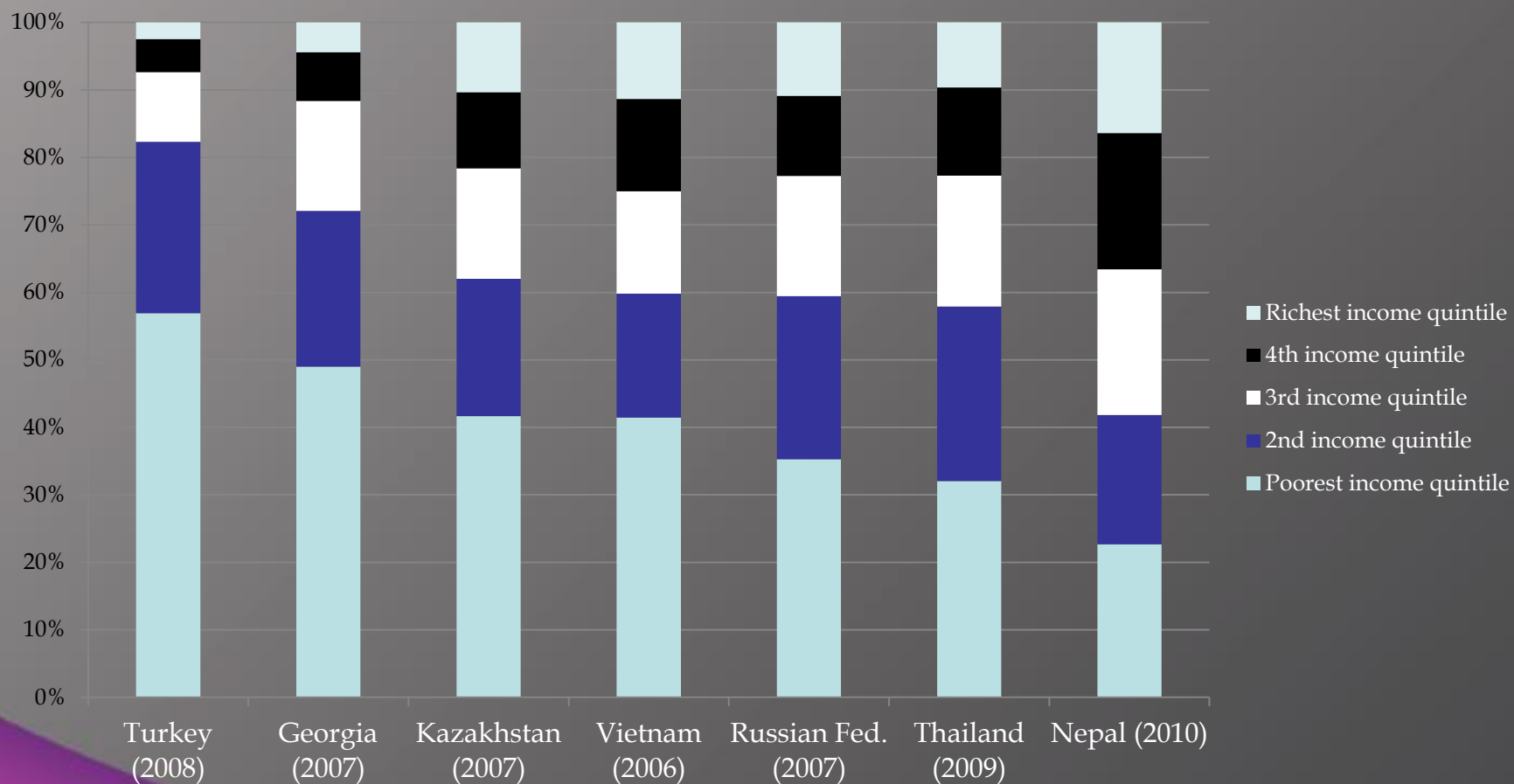
Contributory pension coverage by wealth quintiles



Often, more than 50% of beneficiaries of contributory pensions are among the richest

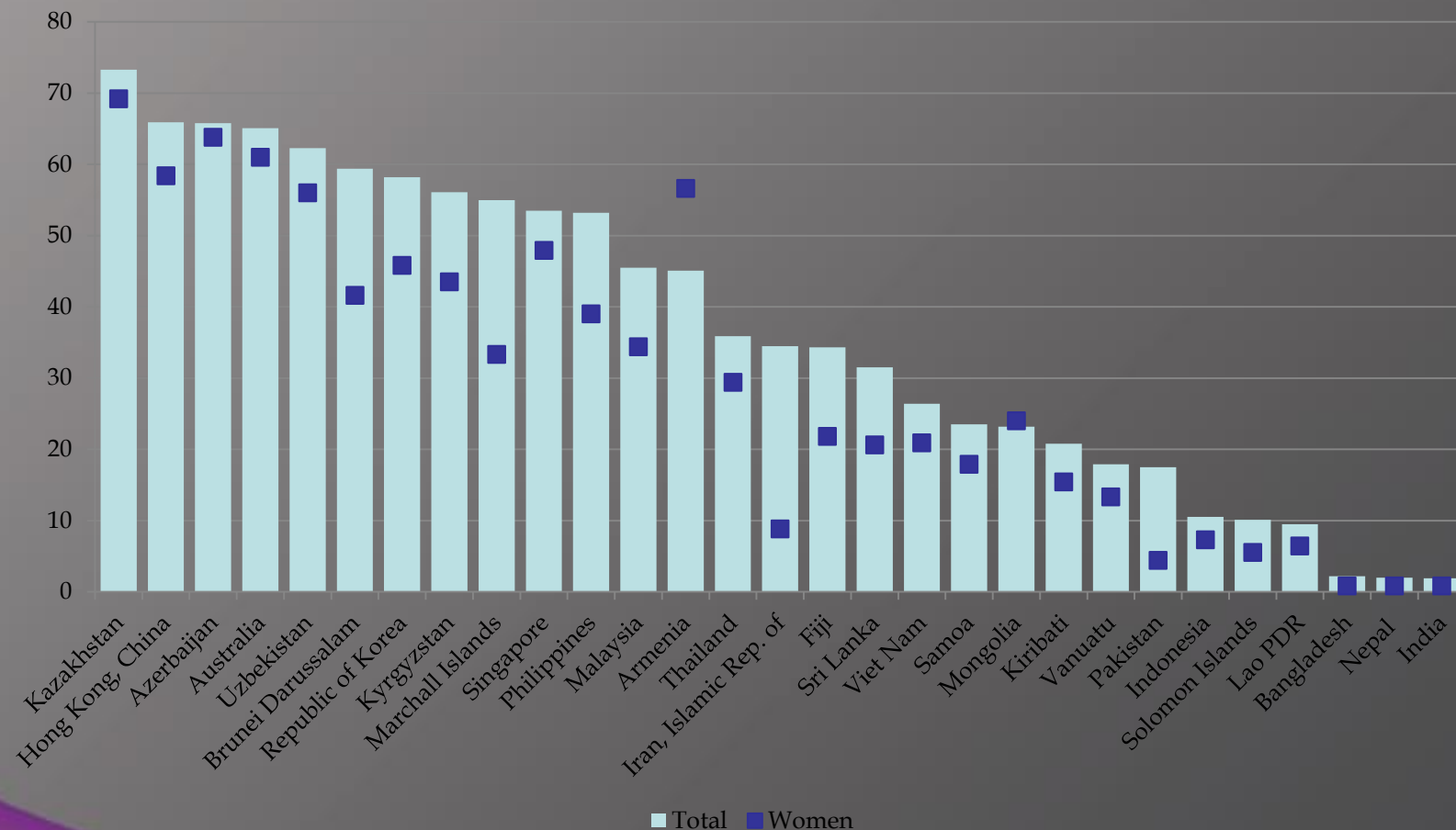


Social pensions are relatively well targeted

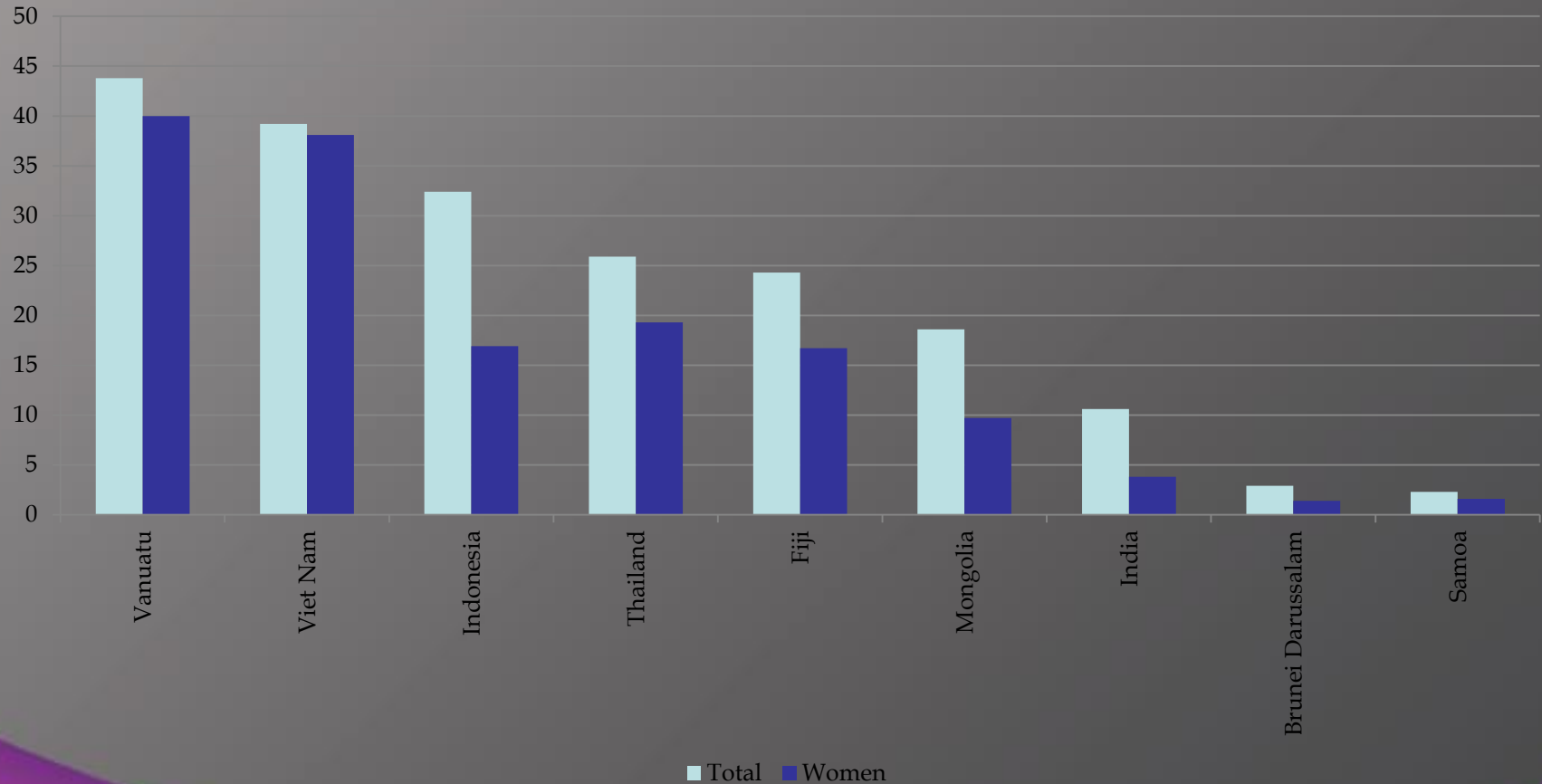


World Bank ASPIRE Database

Women at working age less likely to be covered by (mandatory) contributory pensions

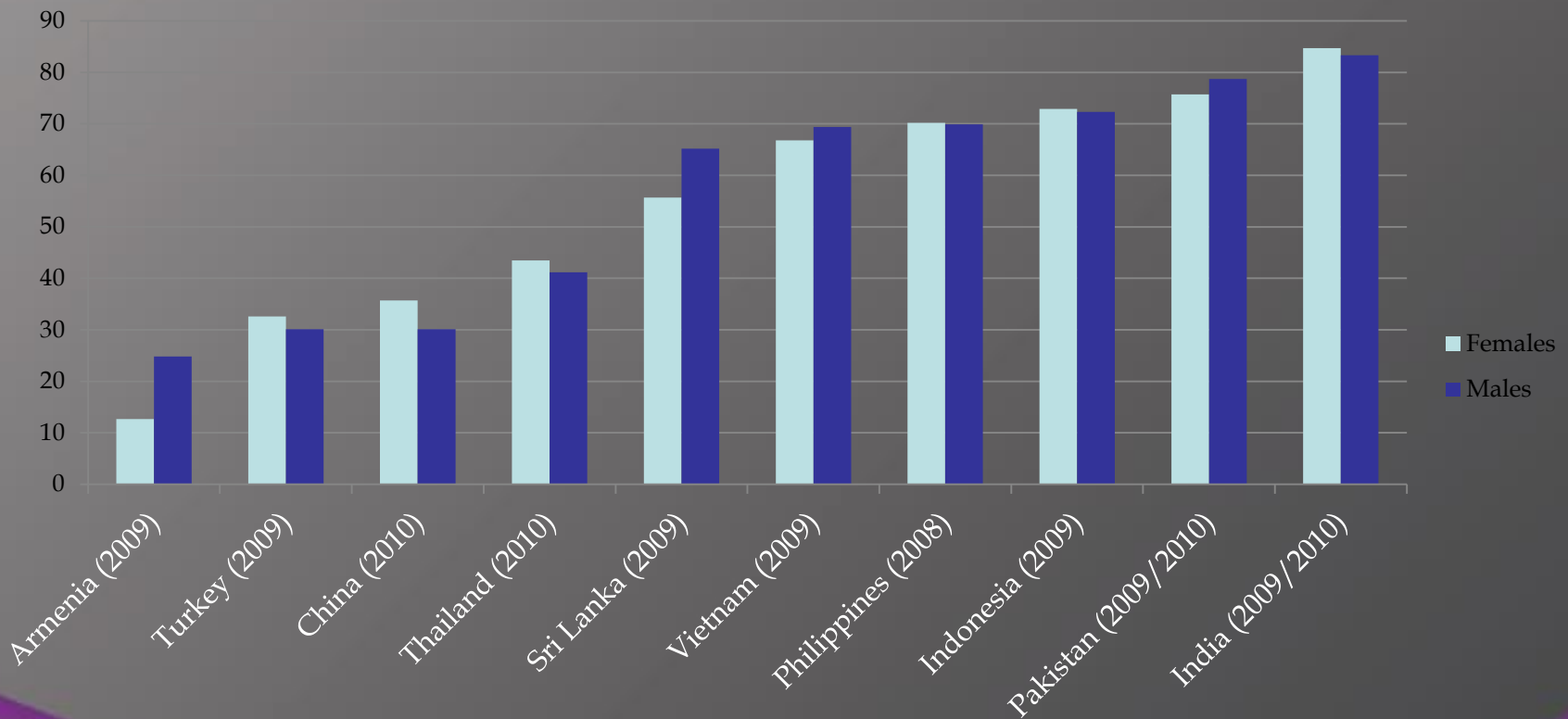


The gap between men and women is even higher for voluntary contributions

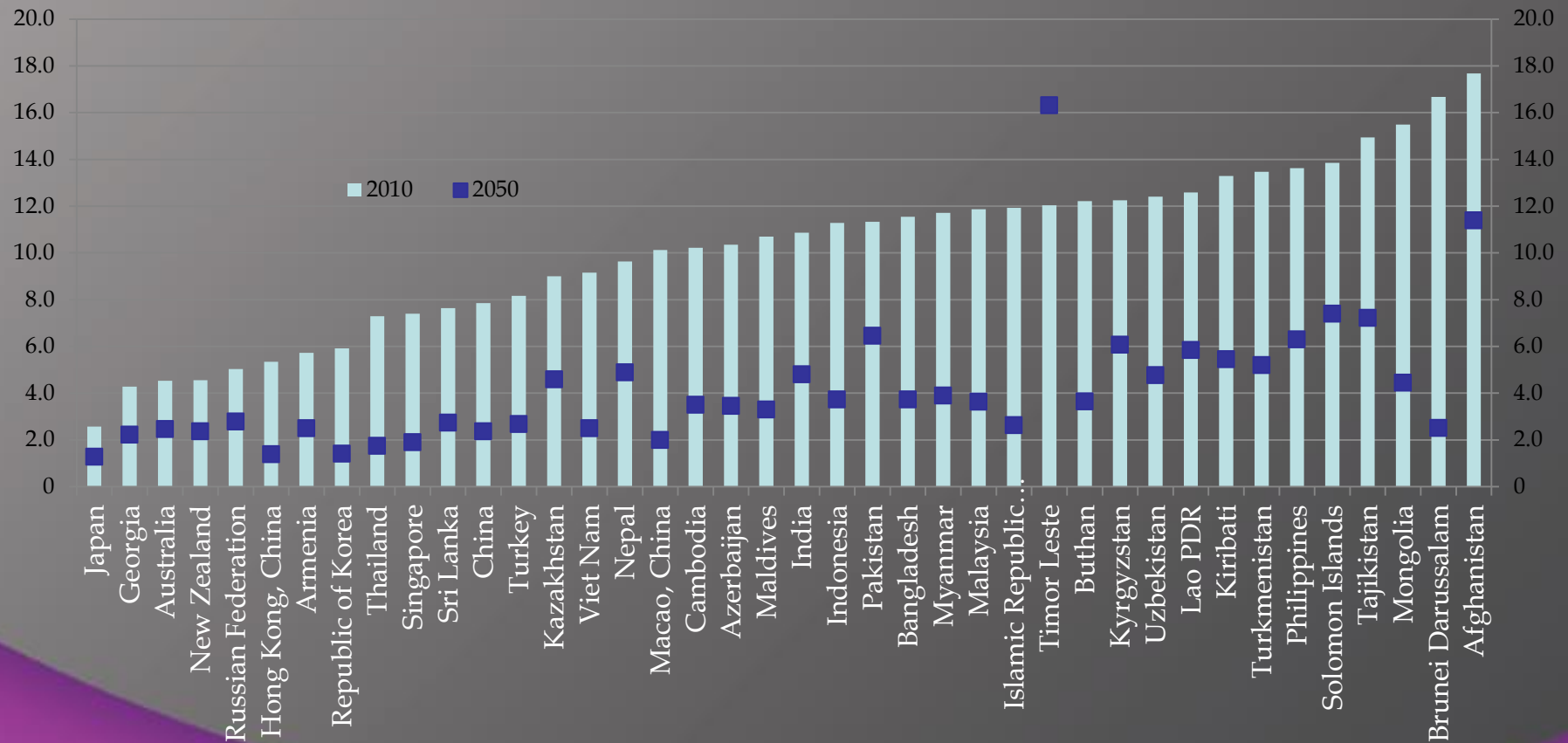


Informal sector participation is high in many countries in the Asia-Pacific region

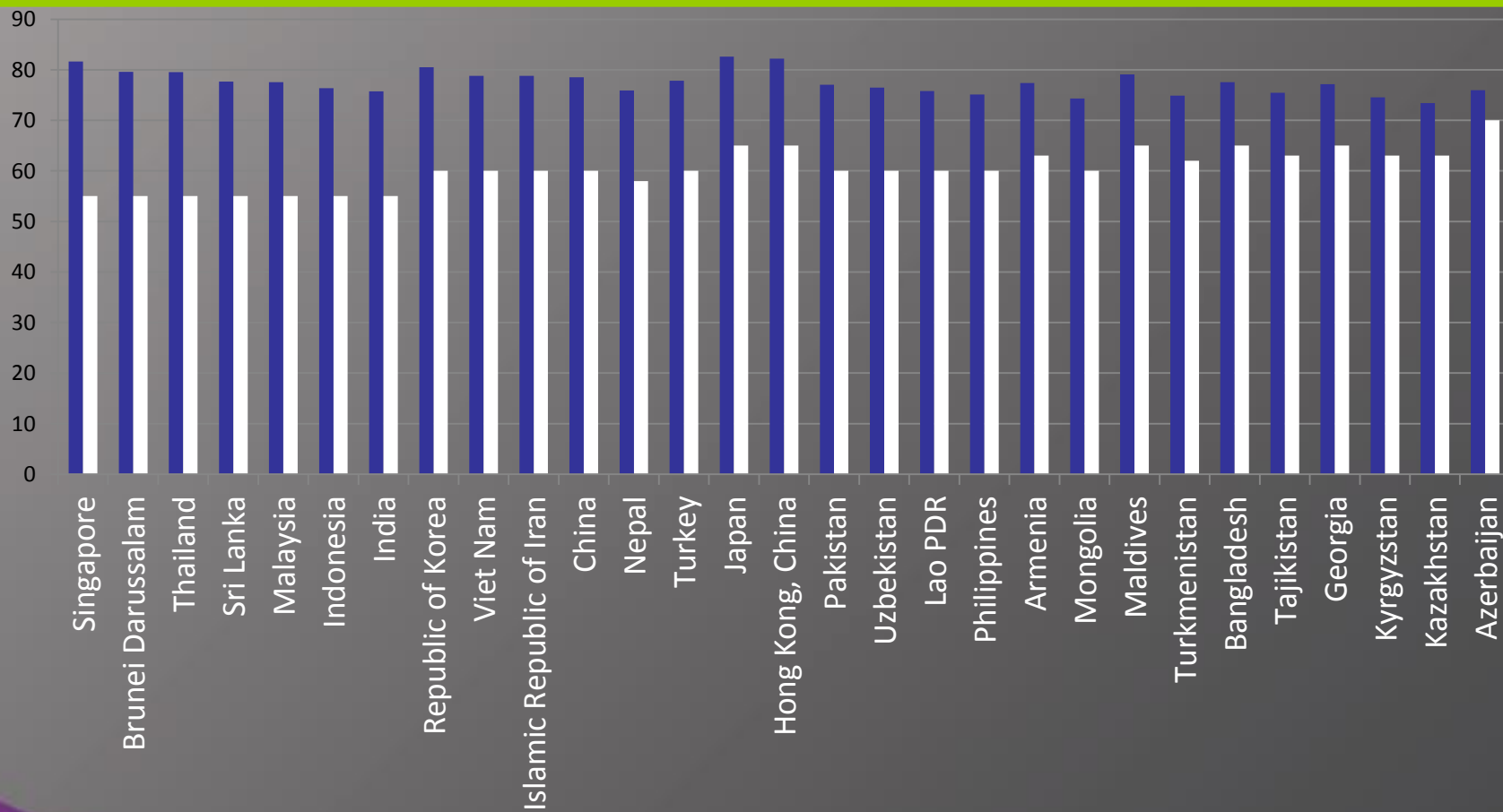
Percentage in informal employment



Sustainability gaps: less people at working age will support those at retirement age



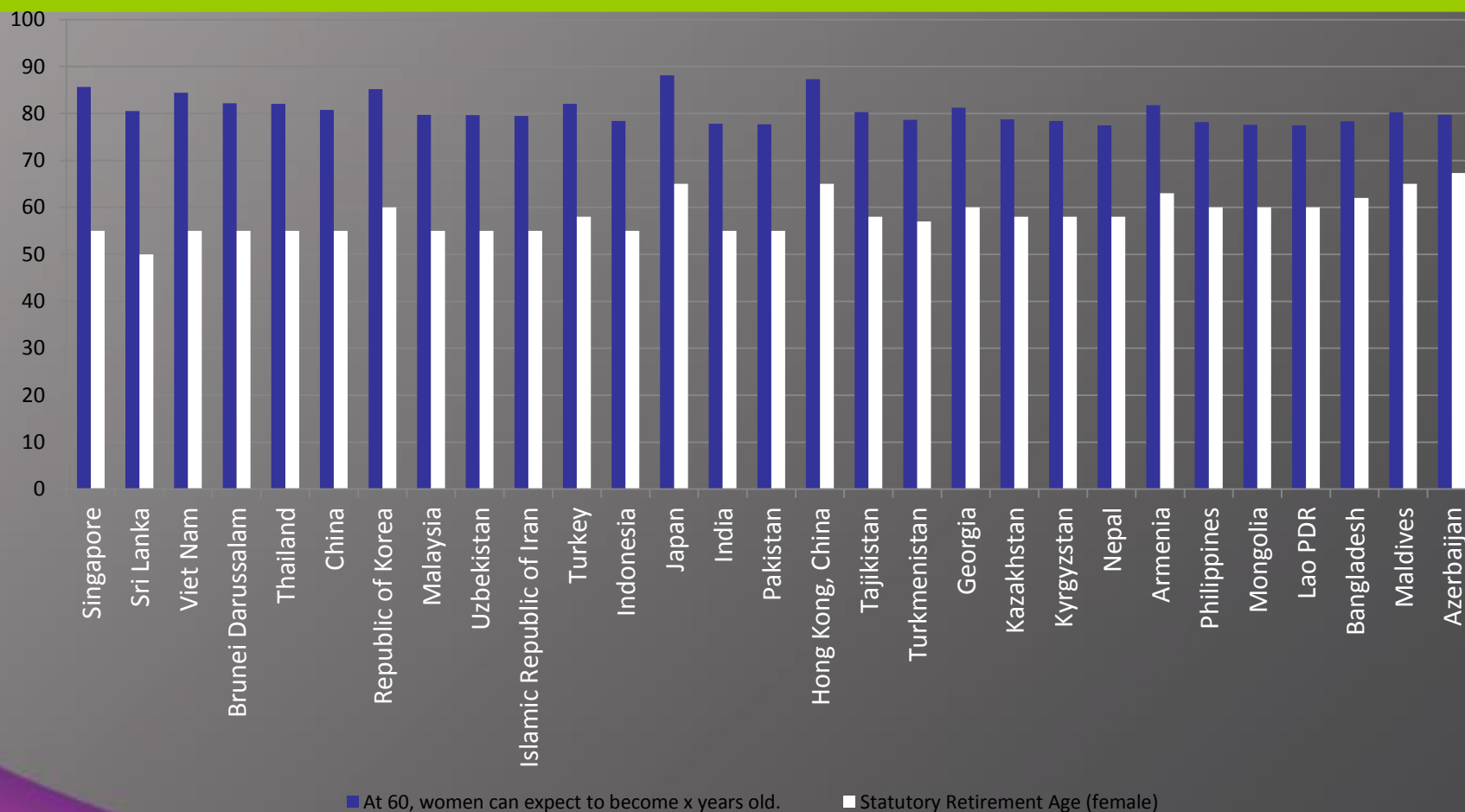
The gap between life expectancy and mandatory retirement age (males)



■ At 60, men can expect to become x years old.

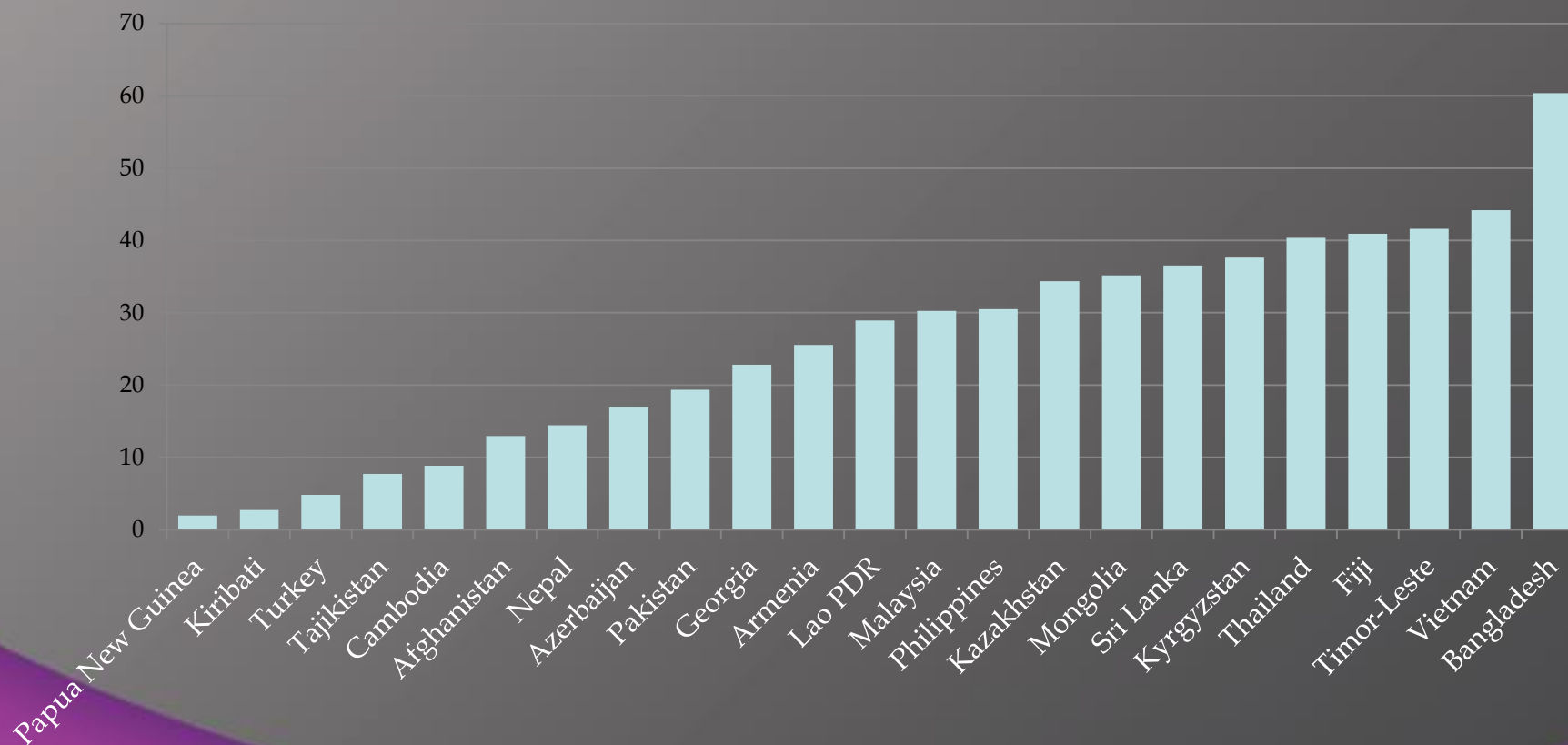
■ Statutory Retirement Age (male)

The gap between life expectancy and mandatory retirement age (females)



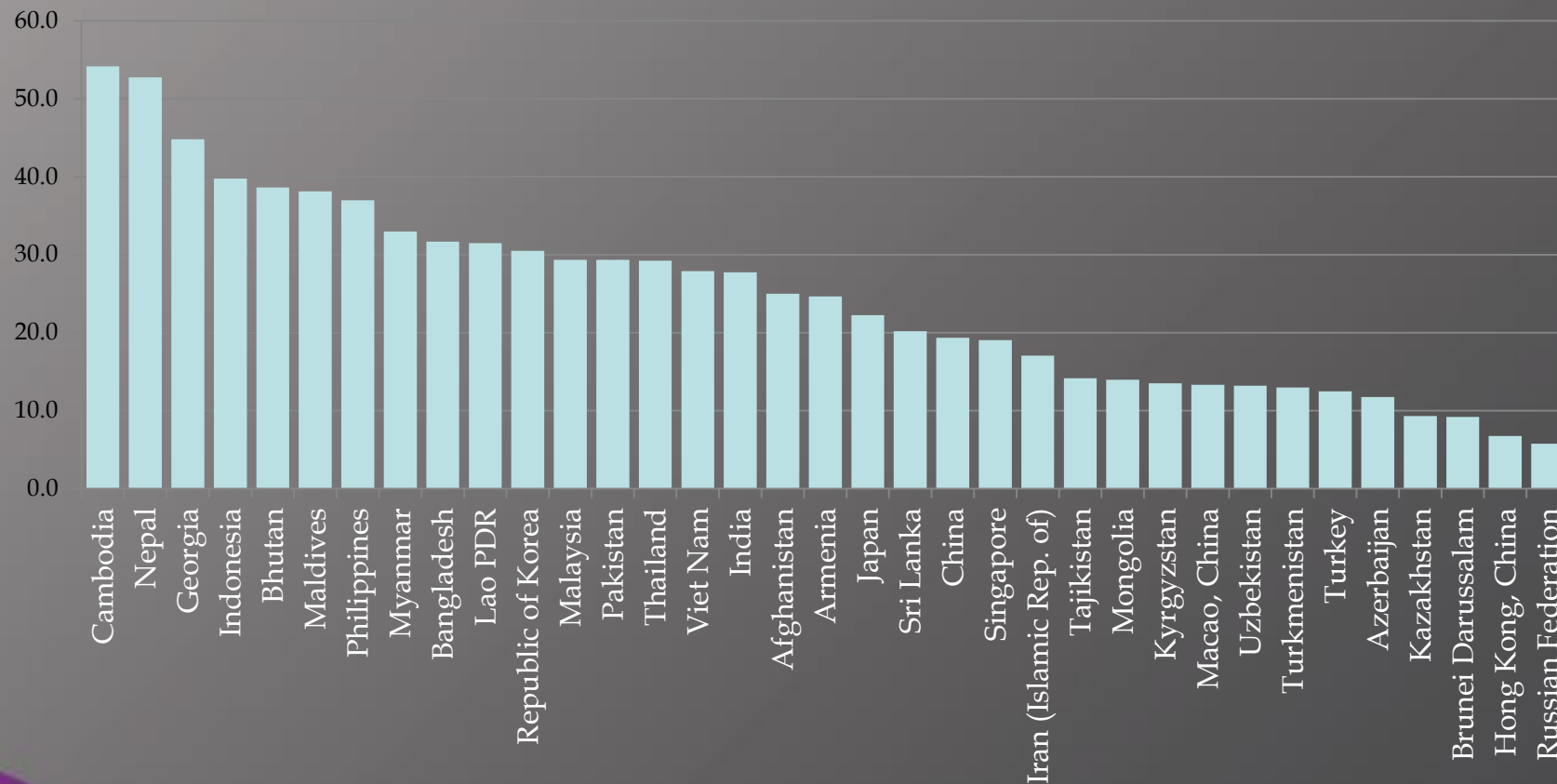
Benefit levels often too low to serve as main old-age income source

Pension benefits out of beneficiaries' total income, contributory pensions
(per cent)



Data Source: World Bank ASPIRE Database

The result: a large percentage of older persons still work



Challenges ahead

- ⇒ Pensions are a promise: sustainability of the pension systems need to be ensured – most pension systems in the region need reforms to improve sustainability and ensure future returns
- ⇒ Increasing coverage will be most important, particularly in an environment of a large informal sector
- ⇒ Addressing demographic developments: increasing retirement age and increasing contribution rates
- ⇒ Ensuring old-age income security for women
- ⇒ Need to look at a multi-tier system: increasing coverage of public pension system, enhancing private pensions for higher income groups and a basic old-age pension for all

Some policy observations ...

- ⇒ Addressing poverty of older persons will be a key problem in the near future – many countries are not well prepared
- ⇒ Currently, pension systems are highly fragmented – leading to issues in fairness and sustainability
- ⇒ One national pension fund with effective regulation could ensure better delivery and would enable mobility between sectors and job categories
- ⇒ Pensions should be one part of a comprehensive policy on population ageing – comprehensive policy package should seek to provide adequate income as well as affordable health care
- ⇒ Fiscal reforms to provide incentives for retirement savings required

To provide old-age
income security, we
need solidarity to
carry the burden.

Thank you.



THANK YOU

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